

**2/5/79 [9]**

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# WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
memo	From Brown to the President (3 pp.) re: Defense Dept. Activities/enclosed in Hutcheson to Mondale 2/5/79	2/2/79	A
<del>memo</del>	<del>From Young to the President (one page) re: Weekly Activities of US Mission to the UN</del> OPENED 4/16/08	<del>2/2/79</del>	<del>A</del>
<del>note</del>	President's handwritten note (one page) re: Iran OPENED 8/17/93	2/5/79	<del>A</del>

## FILE LOCATION

Carter Presidential Papers- Staff Offices- Office of the Staff Sec.- Pres. Handwriting File  
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~~CONFIDENTIAL~~

TO: President Carter  
THROUGH: Rick Hutcheson  
FROM: Ambassador Young  
SUBJECT: U.S. Mission to the UN Weekly Activities -  
January 26 through February 1, 1979

UNGA ADOPTS FIRST \$1 BILLION BUDGET IN UN HISTORY - The UNGA adopted a resolution to make the latest increase in UN budget in a vote of 98-15 with 9 abstentions. The U.S. voted against the supplementary budget request along with a significant majority of the member states that pay the costs of operating the UN.

AHTISAARI ARRIVES ON A TWO-WEEK TOUR OF FRONTLINE COUNTRIES to brief them and SWAPO on his recent visit to Namibia. He is also exploring the possibilities for meeting a renewed South African demand for UN monitoring of SWAPO bases outside Namibia. Waldheim meanwhile is continuing consultations on the composition of the military component of the proposed UN presence in Namibia.

AMBASSADOR YOUNG ADDRESSES OFFICE OF MINORITY BUSINESS ENTERPRISE (OMBE) on world hunger and starvation. The OMBE celebration marked the signing of the largest business contract ever achieved by a minority-owned firm and at the same time celebrated a major technological attack on world hunger and starvation.

MEETING WITH AMBASSADOR BISHARA (Kuwait) - Bishara is contemplating bringing up in the UN Security Council in March two resolutions dealing with the Middle East and the Palestinian question which the U.S. vetoed in 1976.

#### AMBASSADOR YOUNG'S OTHER MEETINGS

1/26 - Dr. Catheryn Bateson (daughter of Margaret Mead) who is attempting to organize intellectual community to better understand cultural forces in Iran.

Miriam Camps, Katharine Gwin - monetary economists, general discussion of monetary events.

Ambassador Blum (Israel) - general discussion on Middle East.

1/28 - Delivered sermon at Canaan Baptist Church, New York.

1/30 - Spent day on Capitol Hill speaking to members of House and Senate regarding UN and Africa.

2/1 - Abdikassim Salad Hassan (Somali Minister of Youth and Sports) - renewed Somali request for defensive military assistance.

Bishop Tutu (President of South African Council of Churches) - discussion on Namibia and internal South African politics.

Received invitation to address Council of Churches annual meeting in July.

Ambassador Jankowitsch (Austria) and Ahmed ben-Sala (Tunisian Opposition Leader) - brief and update on Tunisian situation.

Ambassador Poisson (Niger) - general discussion on African issues. Received invitation to visit Niger.

DECLASSIFIED

MR - NLJC - 06 - 193  
PC 12/10/07 STATE LETTER  
BY 2 NARS, DATE 4/9/08

~~CONFIDENTIAL~~

THE WHITE HOUSE  
WASHINGTON

2/7/79

rick--notes from president's  
meeting with general huyser,  
february 5, 1979...

please treat as very  
sensitive.

thanks--susan clough

*Patti - top secret  
file on*

DECLASSIFIED  
E.O. 12356, SEC. 3.4(b)  
WHITE HOUSE GUIDELINES, FEB. 24, 1983  
BY Ques NARS, DATE 7/22/93

THE WHITE HOUSE  
WASHINGTON

2-5-79

Mtg E Dutch Huisen

Difference M.I. & Emb

a) Khomeini → Dem/Com

b) M.I. weak/strong

c) M.I. stand aloof / a closely support

M.I.: a) Protect key installations  
b) Stay off streets

Orig. Shah out → coup  
Entire country

Govt: Parliament resigning

Mtg E Mojatan - Vaheshti

b) Bazargan, Vaheshti

Toufouian

3 times planned coup

M.I.: Shah "has been"

People: Khomeini becoming part of Revolution

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E.O. 12356, Sec. 3.4  
PER: 6/14/93 BY: [Signature]  
NARS, DATE 7/22/93



THE WHITE HOUSE  
WASHINGTON

*Ayatollah Shari' mofarreh*

~~CONFIDENTIAL~~

THE WHITE HOUSE  
WASHINGTON

Feb. 5, 1979

The Vice President  
Hamilton Jordan  
Stu Eizenstat  
Tim Kraft  
Bob Lipshutz  
Frank Moore  
Jody Powell  
Jerry Rafshoon  
Jack Watson  
Anne Wexler  
Jim McIntyre  
Hugh Carter  
Alfred Kahn

Re: Cabinet Summaries

The attached was returned in the  
President's outbox today and is  
forwarded to you for your personal  
information.

Rick Hutcheson

CONFIDENTIAL ATTACHMENT

EYES ONLY

THE WHITE HOUSE  
WASHINGTON

2/5/79

Secretary Andrus

The attached was returned in the  
President's outbox today and is  
forwarded to you for appropriate  
handling.

Rick Hutcheson





THE SECRETARY OF THE INTERIOR  
WASHINGTON

February 2, 1979

*Cecil -  
I do not want  
the gift to own  
or finance  
Ebenezer  
J*

MEMORANDUM TO THE PRESIDENT

From: Secretary of the Interior  
Subject: Major Topics for the Week of January 29

The San Antonio Mission issue is heating up with the Texas delegation because of our position not to spend money on active church properties. The media is trying to compare this position with your statement that Ebenezer Baptist Church should be an Historic Building. Their twist will be that we can do it for Baptists, but not for Catholics. Jody and Anne have been alerted to the possibility of a problem. ← ?

Alaska hearings are moving well, but we will experience the expected opposition.

Other issues are minor, I hope.

*Cecil*  
CECIL D. ANDRUS

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U. S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY

WASHINGTON

February 2, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: SECRETARY OF LABOR, Ray Marshall *for*

SUBJECT: Major Departmental Activities, January 29-February 2

Continued discussions with union leaders on the inflation program. In order to continue the effort to get cooperation from major unions that are bargaining this year, Jack Gentry and I will meet over the next two weeks with David Fitzmaurice, President, International Union of Electrical, Radio and Machine Workers and Peter Bommarito, President, United Rubber Workers.

Attempt to develop further support for undocumented workers legislation. I continue to believe that this problem is one of the most important for our country to resolve. Stu Eizenstat and I have met with the Attorney General. I have also discussed the issue with Senator Kennedy, the AFL-CIO and other members of Congress. Senator Kennedy remains cautious but has agreed to work with us. The unions will be more supportive than I expected. ←

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THE SECRETARY OF TRANSPORTATION  
WASHINGTON, D.C. 20590

February 2, 1979

MEMORANDUM FOR THE PRESIDENT

THROUGH: Rick Hutcheson, Staff Secretary

FROM: Brock Adams

SUBJECT: Significant Issues for the Week of January 29

Amtrak Route System Report Follow-up - On Monday I reviewed with Stu Eizenstat and Ham Jordan the significant proposals and cost-savings implications of the Final Amtrak Route System Report. I also outlined a three-part program to revitalize our national rail system. This program follows on the rail deregulation efforts we initiated last year. ←

I informally discussed these proposals with Senators Byrd, Bayh, Magnuson, Long, Cannon and Congressman Staggers prior to announcing them in New York City on Wednesday. In addition, my staff briefed in advance all interested Members of Congress, Governors, and Mayors. We are also in the process of briefing key editorial boards across the country.

Urban Policy Initiatives - My staff met with Jack Watson last week to discuss the Transportation Urban Initiative portion of your Urban Policy. We are in agreement that joint development, terminal and mass transit projects, as well as other select transit enhancements will be eligible to compete for the \$200 million of funds available for this program. I anticipate that Jack and I will make a joint announcement of this program at a press conference late next week.

New Automobile Initiative - Following up on my challenge to the auto industry to develop a new car for the future, I have invited scientific and technical experts from around the country to a two-day conference in Boston in mid-February. I will also be going to Michigan later this month at the invitation of Henry Ford and Pete Estes to visit the Ford and GM automotive research facilities. We appreciate the assistance Frank Press' office has given on this effort.

State Legislation to Revoke 55 MPH Speed Limit - Legislators in ten Western States have introduced or are preparing measures to increase the speed limit to 65 or 70 mph - Wyoming, California, Colorado, Texas, Washington, New Mexico, Nebraska, Nevada, Montana and Oklahoma. The Wyoming State Senate passed a bill last week raising the speed limit to 65 mph by a two-to-one margin. ←

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Federal law requires that I withhold all Federal-aid highway funds from a State which does not have a 55 mph speed limit. I have sent telegrams to Ed Herschler, Governor of Wyoming, and Thomas L. Judge, Governor of Montana, explaining this. Some Western State Legislators are coordinating their efforts in an attempt to develop a united front to make it more difficult to withhold the funds. We are working with the private sector, safety, transportation, and medical associations and communicating with legislators and Governors on the energy and life-saving benefits of 55 mph.

Vice Premier Deng - China Relations - Members of this Department met last September with local officials from a number of Chinese cities to discuss technical assistance on Chinese transportation problems in aviation, mass transportation, inland waterways and merchant marine service. We also had discussions regarding merchant marine shipping with both American companies and the appropriate Chinese officials.

At breakfast this week, Vice Premier Deng indicated an interest in aviation navigational aids, as well as mass transportation. I have been invited by the Chinese Ambassador to visit China. I have also promised the Russian Ambassador and their Minister of Railway that I will visit the Soviet Union to replace the trip which was previously cancelled by the State Department last year due to foreign relations considerations. We have available air navigational equipment through the Federal Aviation Administration which can be flown into China together with staff. We have reliable information through the International Civil Aviation Organization that the Chinese will be coming to the Paris Air Show in June prepared to make substantial purchases. My visit to the PRC prior to that time would give the U.S. a decided competitive commercial advantage.

I would hope you would encourage your National Security Council staff to approve my visit to China on March 15-26, and that I can receive approval to visit the Soviet Union in late August, so that I may answer the requests which have been made. I will discuss this with Michael Oksenberg when I am travelling to Seattle with the Vice Premier. Perhaps we should personally discuss this next week, if you have any questions regarding it. ←

THE WHITE HOUSE

WASHINGTON

February 2, 1979

MEMORANDUM TO THE PRESIDENT

FROM: Frank Press *Frank*

SUBJECT: Science Adviser's Report

US-USSR S&T Cooperation: I leave today for the USSR to spend a week negotiating areas of cooperation for next year.

US-China S&T Cooperation: Now that the agreement has been signed, we are preparing for new areas of cooperation in addition to the Energy, Space, Education Exchange, Agriculture agreements. These include environment, health, natural resources, navigational aids.

Regulations of environmental cancer-causing chemicals: We are working with the regulatory agencies and the research agencies to stimulate a uniform Federal framework for adequate scientific assessment of risk (Stage I) and benefit/cost analysis of regulatory options (Stage II) across the Government. Our goal is to avoid costly standards with poor scientific foundation.

Ethics in Government Law: We are working with Bob Lipshutz and with agency heads and general counsels to prevent an exodus of top technical managers and scientists from the Government before the June 30 activation date. As of now, many of your key appointees are worried about their ability to earn a livelihood in university or industry after their term of office is concluded. Of course, we support the intent of correcting the "revolving door" abuse for personal gain.

The Cabinet-level Industrial Innovation Review is entering the final stage following completion of outside review group and agency studies. We will devote major attention to this in February and March, formulating options for your review. Our goal is to put the Government in the position of stimulating innovation, increased productivity, and a more competitive product line by U.S. industry.

Basic Research Initiative: Your strong support of research in the FY80 budget is receiving enthusiastic response from industry, the research universities, and the media. We are gearing up to protect your initiative as it works its way through Congress.

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4. Proposed Regulations for Existing Facilities: The Department this week published in the Federal Register its proposed regulations for existing facilities under the Powerplant and Industrial Fuel Use Act of the National Energy Act. In general, the regulations forbid coal-fired powerplants from switching to oil as the primary fuel and establish the framework within which existing powerplants and large industrial installations could be ordered to switch from oil to coal as the primary fuel. These regulations would continue a policy favoring energy sources other than oil and gas wherever possible. However, where a powerplant or major fuel-burning installation, in the short term, is limited to a choice between oil or natural gas, natural gas is the preferred fuel.





Department of Energy  
Washington, D.C. 20585

February 1, 1979

MEMORANDUM FOR:

THE PRESIDENT

FROM:

JIM SCHLESINGER

SUBJECT: Weekly Activity Report -  
January 27 through February 2, 1979

1. Iranian Contingency Response Plan: The Department is in the process of developing a time-phased plan of response measures which will be scaled to the severity of the developing world and domestic oil shortages resulting from the Iranian political crisis as well as the possibility of other associated supply disruptions. The options being considered for the plan include oil to gas switching, SPR diversion, power wheeling, oil to coal switching, deferring environmental controls, drawing down of SPR and mandatory commercial and public building thermostat controls, and other steps. As a part of this plan, we are also clearing for transmittal to the Congress other mandatory conservation plans and a gasoline rationing plan and we have published fuel allocation plans. These latter measures would be used if the world oil situation worsens substantially. We expect to have the plan ready by the middle of the month.

2. Aviation Gasoline and Kerojet Fuel: On January 31, 1979, I forwarded to Congress a proposal to exempt aviation gasoline and kerosene-base jet fuel from mandatory price and allocation regulations, which have been in effect since the 1973-74 oil embargo. As a result of deregulation, DOE projects that prices for aviation gasoline and kerojet fuel will not rise significantly if supplies remain adequate. In the event of a future supply shortage, DOE will retain the authority to reimpose controls. On January 12, 1979, DOE adopted standby product allocation and price regulations which could be ordered into effect for kerojet and aviation gasoline if the need arises.

3. Environmental Impact Statement on Motor Gasoline Deregulation and the Gasoline Tilt: On January 29, 1979, the Economic Regulatory Administration issued a notice of availability for the final Environmental Impact Statement (EIS) on Motor Gasoline Deregulation and the Gasoline Tilt. The EIS concludes that, if supply and demand remain in balance and certain reasonable assumptions are made about potential crude oil and refinery operating costs increases, under continued regulation prices of gasoline will increase by as much as 9.0 cents between now and the end of 1980. Under the tilt proposal, the increase could be as much as 12.4 cents per gallon, and under deregulation up to 12.8 cents per gallon. A 30-day comment period is required under the National Environmental Policy Act.

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United States  
Environmental Protection Agency  
Washington, D.C. 20460

February 2, 1979

①  
The Administrator

WEEKLY REPORT TO THE PRESIDENT

FROM: Douglas M. Costle

On Tuesday morning the four IRLG agencies -- EPA, OSHA, FDA, and CPSC -- are releasing a document which describes how they identify and evaluate potential cancer-causing substances. Senior scientists from the National Cancer Institute and the National Institute of Environmental Health Sciences assisted in preparing this document. We consider it to be a significant example of interagency cooperation, and a major step forward in our efforts to develop a government-wide cancer policy under the auspices of the Regulatory Council.

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**Community** WASHINGTON, D.C. 20506  
**Services Administration**



February 2, 1979

MEMORANDUM TO THE PRESIDENT

Attention: Rick Hutcheson, Staff Secretary

FROM: Graciela (Grace) Olivarez, Director  
Community Services Administration

SUBJECT: Weekly Report of Significant Agency  
Activities (January 29 - February 2, 1979)

Crisis Intervention Program

The Community Services Administration (CSA) has made a grant of \$12 million to the State of Illinois for emergency assistance toward alleviating the hardships caused by recent severe weather conditions. In addition, CSA is reviewing requests for supplemental emergency assistance from Oregon, Missouri, Iowa, Illinois, Wisconsin and Connecticut. This agency has already distributed, among 45 qualifying states and the District of Columbia, \$43 million of the \$200 million Crisis Intervention Program. Moreover, CSA and the Administration for Native Americans has concluded an interagency agreement which will provide emergency assistance to eligible Indian households

Fiscal year 1980 Budget

The Director of CSA will be appearing before the Senate Appropriations Subcommittee on Labor-HEW at 10 a.m. on February 7, 1979. The Community Services Administration will be the first federal agency to testify before the subcommittee on the Fiscal Year 1980 Budget Requests.

Small Farms Conference

The ~~attached~~ summary report on the Small Farms Conference is a consolidation of regional conference reports previously forwarded for your information. Among other things, it includes a status report of followup activity designed to implement the recommendations developed at the conferences.

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THE SECRETARY OF COMMERCE  
WASHINGTON, D.C. 20230

February 2, 1979

FYI

REPORT TO THE PRESIDENT

Although the \$28.5 billion trade deficit in 1978 was a record, the December deficit of \$2.0 billion was consistent with the improving monthly trend which began in May. I expect this trend to continue, reducing the 1979 trade deficit to perhaps \$20 billion. Further improvement in the key manufactured goods trade balance is in prospect, and the \$11.6 billion deficit with Japan should also improve this year. Initiatives taken in 1978 to reduce the deficit with Japan and the depreciation of the dollar against the yen contributed to a reduction of the deficit from an annual rate of \$12.7 billion in the first quarter to a rate of \$8.8 billion in the fourth quarter. This improvement should continue, but to ensure it we must persist in expanding and solidifying our export gains to Japan and worldwide.

The index of leading economic indicators declined by 0.5 percent in December for the second consecutive month. This reflected weakness primarily in the financial components of the index, one of which is biased somewhat downward by a recent change in banking regulations. The Bureau of Economic Analysis is considering steps to remedy this distortion. We do not believe that the weakness of the leading indicator index foreshadows a recession at this time. Its recent behavior is consistent with our expectation of slower economic growth.

The seven-day public symposia on industrial innovation conducted over the last two weeks resulted in high-visibility, substantive exchanges which enhanced the credibility of the Administration in this Domestic Policy Review process. Panel participants included senior representatives from industry, labor, academic and public interest groups, and representatives from more than 16 Federal agencies. The more than 750 attendees were mostly senior business executives, but also included were approximately 45 Congressional staff members and 32 media representatives. The final report will be delivered to you on April 2, 1979.

  
Juanita M. Kreps

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~~CONFIDENTIAL~~

THE SECRETARY OF THE TREASURY  
WASHINGTON

February 2, 1979

MEMORANDUM FOR THE PRESIDENT

Subject: Highlights of Treasury Activities

1. THE DOLLAR

The tight budget that you submitted to Congress has had a good market effect. Corporate demand for dollars has resumed and the dollar has strengthened. In this stronger dollar environment, the Treasury and the Federal Reserve have been able to make substantial repayments on swap indebtedness.

Our sale of two billion Swiss franc "Carter Bonds" was very successful. We received 5.2 billion Swiss franc in subscriptions. The proceeds of the issue were received last Friday.

2. CHINA

I met twice with the Foreign Minister to negotiate the claims/assets problem. The Chinese position was not as simple as Deng had portrayed it in our Tuesday morning meeting, but we made some progress. I will be consulting on the Hill during the next two weeks in order to develop the position that I will take on my trip to Peking. Resolving this issue will not be such an easy task.

3. RWI

Charlie, Fred, Ray and I testified on RWI this week. Treasury is lobbying intensely with Ways and Means; positive momentum is building. I am working hard to pick up some support by the unions.

Mike

W. Michael Blumenthal

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Classified by W. Michael Blumenthal  
Declassified on February 2, 1985

~~CONFIDENTIAL~~

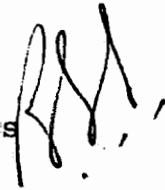
Jay 4/5/80

THE SPECIAL REPRESENTATIVE FOR  
TRADE NEGOTIATIONS  
WASHINGTON  
20506

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February 2, 1979

MEMORANDUM FOR THE PRESIDENT

From: Ambassador Robert S. Strauss 

Subject: Weekly Summary

I am dictating this Friday mid-afternoon from Houston, having just returned from the space center with Vice Premier Deng. As you probably have already heard, the Atlanta stop was excellent, press and public response all good. While it may have offended some people, we even managed to take care and see that a few old friends of yours like D. W. Brooks, were involved. Governor Busbee had 17 governors from across the country there and I think the half hour spent with them was most useful.

The Houston portion is going equally well. You will be pleased to know that Governor Clements joined the welcoming party at the airport with rather effusive remarks. It's wonderful what a little personal counseling will do with some of these fellows. The rodeo tonight should be a tremendous media event and the entire China party is looking forward to it. The Editors and Publishers Breakfast in the morning will probably have over 75 present.

Despite what you are hearing from the Hill, I am confident that we will conclude the negotiations with the textile industry next week.

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DEPARTMENT OF AGRICULTURE  
OFFICE OF THE SECRETARY  
WASHINGTON, D. C. 20250

February 2, 1979

MEMORANDUM TO THE PRESIDENT

THROUGH Rick Hutcheson  
Staff Secretary

SUBJECT: Weekly Report

PRICES. Prices received by farmers increased 4.5 percent in January and, during the same period, prices paid by farmers increased 3 percent. (Cattle, lettuce, hogs and chickens up, cotton, eggs and oranges down.)

For the first time in history the price of low-grade canner and cutter (hamburger) beef broke the \$100 per hundredweight mark -- \$5 higher than choice grades (slaughter weight).

BUDGET. The Senate Ag Committee seems willing to go along with USDA's proposed budget. The staff is especially restrained and the budget-busting mood of last year has noticeably cooled.

HOUSE. The two new subcommittee chairmen in the House Ag Committee -- Rose, livestock and grains; Baldus, dairy and poultry -- have been very cooperative in the past.

A handwritten signature in dark ink, appearing to read "B. Bergland", is positioned above the typed name.

BOB BERGLAND

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THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, D.C. 20410

February 2, 1979

MEMORANDUM FOR: The President  
Attention: Rick Hutcheson

SUBJECT: Weekly Report of Major Departmental Activities

Two New Steps Taken to Minimize Opportunities for Fraud and Waste. To further our efforts to promote integrity in HUD operations, a "hotline" has been installed in the Inspector General's office which employees throughout the country are encouraged to use to report suspected mismanagement, waste or fraud in the Department. In addition, a Fraud Control Committee has been given responsibility for development of a comprehensive long-range program to identify areas vulnerable to fraud, waste or mismanagement in HUD-financed operations. The Committee will also determine the additional remedial action that may be required and will recommend any necessary corrective steps to the Secretary.

First FY '79 Small Cities Action Grants Announced. Action Grants totaling more than \$17 million have been awarded to 37 small cities for joint public-private development projects. The private sector commitment generated by the Federal funds totals over \$109 million. As a result of these projects, 3,777 new jobs will be created and 1,949 jobs will be saved.

New York City Gets Additional Housing Aid. More than \$2 million has been committed to the City to expand the "sweat equity" experiment in housing rehabilitation into two Brooklyn neighborhoods -- Southside in Williamsburg and Ocean Hill-Brownsville. "Sweat equity" involves the restoration of HUD-owned or City-owned multi-family buildings in severely deteriorated neighborhoods by neighborhood residents themselves. The residents' labor or "sweat equity" will be their down-payment on a dwelling unit.

Savings Recorded by FIA. The hotly debated 1977 change in the operation of the National Flood Insurance program has resulted in savings in the first year of almost \$15 million. The savings were achieved by the new contractor, EDS, without any decline in the quality of service.

*Pat*

Patricia Roberts Harris

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THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE  
WASHINGTON, D. C. 20201

February 2, 1979

C

MEMORANDUM FOR THE PRESIDENT

FROM JOSEPH A. CALIFANO, JR.

*by Hal Changier*

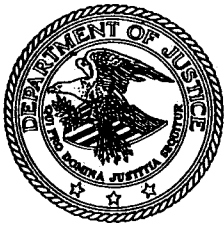
SUBJECT: Weekly Report on HEW Activities

- Regulations: At our recent meeting on National Health Insurance, you asked about an analysis of health regulations from a cost benefit point of view. On December 14, my staff met with OMB staff to outline our plans for analyzing health regulations in terms of work burden and cost impact. That program is underway, and I will report to you periodically on its results. We have already made changes with respect to fire safety requirements for health care institutions which we estimate will save almost \$.5 billion in federal funds over the next four years without diminishing the safety of patients.

You also inquired about deregulation in a manner similar to several steps taken by OSHA. As you are aware, in the spring of 1977 we began an effort--called Operation Common Sense--to review all HEW regulations with a view to rewriting regulations where necessary and eliminating others where possible. To date, we have eliminated 705 pages--or 11%--of obsolete HEW regulations, and we have rewritten 221 pages into plain English. We are also eliminating unnecessarily burdensome regulations. For example, we eliminated a provision from the ESEA Title I regulations requiring all State educational agencies to forward to the Commissioner of Education a copy of every application for funds approved by their operating entities. This means that State agencies will no longer have to send hundreds of applications to HEW. I will try to pull this together into a single announcement to bring attention to these efforts.

*Total 700 pp*

- Testimony: On Thursday I will testify before the Senate Finance Subcommittee on Social Security (Nelson) on reform of the Disability Insurance and Supplemental Security Income programs.
- Cost Containment Speech: On Friday I will address the Consumer Federation of America on the subject of hospital cost containment.
- Social Security Proposals: Hale Champion and Stan Ross, the Commissioner of Social Security, met with the Social Security Advisory Committee today to discuss the Disability and other Social Security reform proposals. The only clearly negative reaction came from the two labor leaders and Bob Ball, and generally the meeting went very well. Hale and Stan defended all the proposals and their basic rationale. Afterward, Bob Ball offered to set up a meeting to consider whether there was a basis for securing his group's support for much, if not all, of the disability reforms, and Hale accepted the offer.



Office of the Attorney General  
Washington, D. C. 20530

1  
/

February 3, 1979

Principal Activities of the Department of Justice  
for the Week of January 29 through February 3, 1979

1. Meetings and Events

The Attorney General hosted a lunch for Georgia Governor George Busbee on Monday. Meetings this week have included the new Attorney General of Texas, Mark White, and Chief Judge John McManus of Sante Fe, New Mexico. The Attorney General taped an interview with David Hartman and Steve Bell in his Department of Justice office Thursday. Portions concerning Patty Hearst were shown Friday morning on Good Morning America. Other portions are scheduled to be shown one morning next week, possibly Wednesday, on ABC.

2. The Special Prosecutor Matter

A full copy of the report of the Attorney General to Special Prosecutor Division of the U.S. Court of Appeals is ~~attached~~. The report concerns an allegation about "solicitation" of funds at a White House luncheon, and the Attorney General concluded in his report that the allegation involving the President and other officials covered by the new ethics legislation is so unsubstantiated that no further investigation or prosecution is warranted, and that no special prosecutor should be appointed. The report was made public after the court granted the Attorney General's motion to do so.

3. The Illinois radio station matter

An NBC-TV network news story Friday night featured an Illinois radio station owner castigating the Department of Justice and "unnamed, faceless bureaucrats" here over the prospect of the station's being precluded from airing a tape recording from the Soviet Union purchased by the station in response to an advertisement. For the station, it was a successful contrived publicity bonanza. After the President's telephone conversation with the Attorney General, it was learned that the station had written the Department of Justice just two weeks ago to inquire whether under these facts registration would be required under the Foreign Agents Registration Act (and if so, FCC requirements would preclude

licensing). The Department has not as yet responded to the radio station's letter, but the draft response which is ready for final signature advises quite clearly that no registration is required under the act according to the facts stated. Registration would be required only if the radio station is in fact an agent and under the supervision and control of the foreign power.

#### 4. Patty Hearst

The President's decision on Miss Hearst's clemency application was announced Monday by the White House. The Department issued a release explaining the basis of Mr. Civiletti's and the Department's recommendation. Miss Hearst was released Thursday from the federal facility at Pleasanton without incident. Miss Hearst has agreed to the terms of her probation, and the Chief Probation Officer for the Northern District of California has agreed and been designated by the Attorney General to administer the probation.

#### 5. Illinois Brick

An agreed-upon version between the House, Senate, and Administration of Illinois Brick legislation was introduced by Senator Kennedy and Chairman Rodino at a press conference Wednesday. Assistant Attorney General John Shenefield participated. Fast processing at full committee is scheduled by both Houses.

#### 6. LEAA Reauthorization

Senator Kennedy reintroduced the bill with a blast against the Administration budget cuts. Hearings are scheduled at full Senate Committee on February 9 and in the House subcommittee on February 13.





## Department of Justice

FOR RELEASE AT 4:00 p.m.  
FRIDAY, FEBRUARY 2, 1979

AG  
202-633-2014

The Special Prosecutor Division, U.S. Court of Appeals for the District of Columbia, today granted the motion of Attorney General Griffin B. Bell to disclose publicly "The Report of the Attorney General Pursuant to 28 U.S.C. 592(b)," number 79-2, filed in that Court on February 1, 1979.

The Attorney General's report concludes, as a result of a preliminary investigation, that an allegation involving the President and other officials covered by 28 U.S.C. 591, is so unsubstantiated that no further investigation or prosecution is warranted, and that no special prosecutor should be appointed.

The full text of the Attorney General's report to the Special Prosecutor Division of the U.S. Court of Appeals is attached.

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# United States Court of Appeals

FOR THE DISTRICT OF COLUMBIA CIRCUIT

No. 79-2

September Term, 1978

Division for the Purpose of Appointing Special Prosecutors  
Ethics in Government Act of 1978

In Re:

Report of the Attorney General  
Pursuant to 28 U.S.C. § 592(b)  
(Division Case No. 79-2)

United States Court of Appeals  
for the District of Columbia Circuit

FILED FEB 2 1979

GEORGE A. FISHER  
CLERK

## O R D E R

Upon consideration of the motion of the Attorney General pursuant to 28 U.S.C. § 592(d)(2), for leave to disclose to the public his report filed herein February 1, 1979, and it appearing that the matters discussed in the report have already been the subject of a news article, that continued public comment is foreseeable, and that revelation of the report as requested would be in the public interest, it is by the court

ORDERED that the Attorney General is granted leave to make public his report filed herein February 1, 1979.

Per Curiam

United States Court of Appeals  
for the District of Columbia Circuit

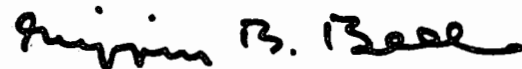
UNITED STATES COURT OF APPEALS **FILED** FEB 1 1979  
FOR THE  
DISTRICT OF COLUMBIA CIRCUIT  
SPECIAL PROSECUTOR DIVISION  
10:33 p.m. 2.7  
**GEORGE A. FISHER**  
CLERK

IN RE REPORT OF THE ATTORNEY GENERAL :  
PURSUANT TO 28 U.S.C. §592(b), :  
NO. 74-2 :

MOTION OF THE ATTORNEY GENERAL FOR LEAVE  
TO DISCLOSE REPORT PURSUANT TO 28 U.S.C. §592(d)(2)

Pursuant to 28 U.S.C. §592(d)(2), I hereby seek leave from the Division of the Court for permission to disclose the "Report of the Attorney General Pursuant to 28 U.S.C. §592(b)," No. 74-2 filed in this Court on February 1, 1979. This report concerns a preliminary investigation of an allegation involving the President under the special prosecutor provisions of the Ethics in Government Act of 1978, 28 U.S.C. §591. Moreover, the circumstances of the White House luncheon on August 10, 1978 have already been the subject of a news article, and continued public comment is foreseeable. In these circumstances, I believe it is in the public interest for the Court to grant leave to me to make public this memorandum as provided in 28 U.S.C. §592(d)(2).

Respectfully submitted,



Griffin B. Bell  
Attorney General of the  
United States

UNITED STATES COURT OF APPEALS  
FOR THE  
DISTRICT OF COLUMBIA CIRCUIT  
SPECIAL PROSECUTOR DIVISION

United States Court of Appeals  
for the District of Columbia Circuit

FILED FEB 1 1979

10:33 p.m. 2-1

GEORGE A. FISHER  
CLERK

REPORT OF THE ATTORNEY GENERAL :  
PURSUANT TO 28 U.S.C. §592(b) :  
SUBJECTS: PRESIDENT JIMMY CARTER :  
VICE PRESIDENT :  
WALTER MONDALE :  
DEPUTY ASSISTANT TO :  
THE PRESIDENT FOR :  
POLITICAL LIAISON :  
JOEL MCCLEARY :

NO. 74-1

In accordance with Section 592(b) of Title 28, United States Code, as added by the Ethics in Government Act of 1978, Public Law 95-521, I, Griffin B. Bell, Attorney General of the United States make the following report concerning the receipt by the Department of Justice of information regarding alleged criminal violations by the President; the Vice President; and the Deputy Assistant to the President for Political Liaison, Joel McCleary.

1. Allegation. On November 3, 1978, the Federal Bureau of Investigation received an allegation from an informant that on August 10, 1978, the President and Vice President had attended a luncheon in the White House to which were invited approximately 20 prominent business people who had contributed money on past occasions to the Democratic Party. The purpose of the luncheon was allegedly to apprise these former contributors that the Democratic Party had a

remaining \$1.5 million debt and that their contributions were needed in order to eliminate the debt. According to the source, solicitation or receipt of funds might have occurred at the luncheon in violation of 18 U.S.C. §603.

The informant said that further information would appear in New York magazine during the month of November. On November 13, 1978, a two page article was published in the magazine stating that an unpublicized White House luncheon had been held on August 10, 1978, and that, although "[t]here doesn't appear to have been any . . . solicitation by any government official at the luncheon session," contributions totaling \$100,000 and \$25,000 respectively were recorded on reports filed with the Federal Election Commission as having been received by the Democratic National Committee on the day of the luncheon from individuals identified as having attended. A copy of the New York magazine article is attached as an appendix hereto.

2. Statute Involved. 18 U.S.C. §603 prohibits the solicitation or receipt of political contributions in any area occupied by any person described in 18 U.S.C. §602 in the conduct of official duties.<sup>1/</sup> 18 U.S.C. §603 was originally

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<sup>1/</sup> 18 U.S.C §603 reads:

Whoever, in any room or building occupied in the discharge of official duties by any person mentioned in section 602 of this title, or in any navy yard, fort, or arsenal, solicits or receives any contribution of money or other thing of value for any political purpose, shall be fined not more than \$5,000 or imprisoned not more than three years, or both.

enacted in 1883 as part of the Pendleton Civil Service Act. There are only four known criminal prosecutions under Section 603, and only one in the last seventy years. United States v. Newton, 20 D.C. (9 Mackey) 226 (1891); United States v. Thayer, 154 F. 508 (N.D. Tex. 1907), rev'd, 209 U.S. 39 (1908); United States v. Smith, 163 F. 926 (M.D. Ala. 1908); United States v. Burleson, 127 F. Supp. 400 (E.D. Tenn. 1954).

3. Investigation. Because the allegation and magazine article indicated the possibility that 18 U.S.C. §603 might have been violated, the Department of Justice, pursuant to 28 U.S.C. §592(a), conducted a preliminary investigation of the matter. Through interviews conducted by the Federal Bureau of Investigation, the following information was developed:

a) A luncheon was held in the White House on August 10, 1978, attended by 11 business people, 2 union

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1/ continued

18 U.S.C. §602, mentioned in Section 603, reads:

Whoever, being a Senator or Representative in, or Delegate or Resident Commissioner to, or a candidate for Congress, or individual elected as, Senator, Representative Delegate, or Resident Commissioner, or an officer or employee of the United States or any department or agency thereof, or a person receiving any salary or compensation for services from money derived from the Treasury of the United States, directly or indirectly solicits, receives, or is in any manner concerned in soliciting or receiving any assessment, subscription, or contribution for any political purpose whatever, from any other such officer, employee, or person, shall be fined not more than \$5,000 or imprisoned not more than three years or both.



officials, several Democratic National Committee officers and White House staff, Senator Kennedy, President Carter, and, for a brief time, Mrs. Carter.<sup>2/</sup>

b) The luncheon was held in a small room known as the Family Dining Room on the first floor of the Executive Mansion, behind the State Dining Room. The Democratic National Committee reimbursed the White House \$414.87 for the cost of the luncheon.

c) The luncheon was arranged by John White, Chairman of the Democratic National Committee, and Evan Dobelle, Treasurer of the Democratic National Committee. According to White, Dobelle, and others, its purpose was to thank the participants for their contributions in eliminating the debt of the Democratic National Committee. White stated that each of the individuals invited had either contributed

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<sup>2/</sup> According to White House records, the following individuals attended the luncheon: The President; John Amos, American Family Life Insurance Company, Columbus, Georgia; S. Harrison Dogole, Chief Executive Officer, Globe Security Systems, Inc., Philadelphia, Pennsylvania; Armand Hammer, Chairman and Chief Executive Officer, Occidental Petroleum Corporation, Los Angeles, California; Mrs. Armand Hammer; Morris D. Jaffe, Builder and Developer, San Antonio, Texas; Edward M. Kennedy, Senator (Massachusetts); Henry L. Lacayo, Director, National Community Action Projects, UAW, AFL-CIO, Detroit, Michigan; John G. McMillian, Chairman, Chief Executive Officer, President, Northwest Energy Company, Salt Lake City, Utah; Richard J. O'Neill, Santa Ana, California; Jeno F. Palucci, Chairman, Jeno's Incorporated, Duluth, Minnesota; Walter Shorenstein, Chairman of the Board, Milton-Meyer & Company, San Francisco, California; Rosemary Tomich, owner, Siesta Cattle Company, Chino, California; Glenn E. Watts, President, Communications Workers of America, AFL-CIO, Washington, D.C.; Lew A. Wasserman, Chairman of the Board and Chief Executive Officer, Music Corporation of America, Los Angeles, California; Evan S. Dobelle, Treasurer, Democratic National Committee, Washington, D. C.; Mrs. Evan Dobelle, Chief of Protocol, Department of State, Washington, D. C.;

or pledged to contribute prior to the luncheon. According to Charles Manatt, Finance Chairman of the Democratic National Committee, it was hoped that the luncheon would induce the business people in attendance to continue their support for the Democratic Party.

d) The President met in the Oval Office with Lew Wasserman, Richard O'Neill, and Manatt for a few minutes prior to the luncheon and accompanied them to the Family Dining Room.

e) The President was present for the first hour of the luncheon and made brief remarks thanking those in attendance for their support of the Democratic Party. Joel McCleary, Deputy Assistant to the President for Political Liaison, was apparently present throughout the luncheon.<sup>3/</sup> There is no evidence that the President or McCleary solicited or received any money during the luncheon.

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2/ continued

Charles T. Manatt, Partner, Manatt, Phelps, Rothenberg, & Tunney, Los Angeles, California, and Finance Chairman, Democratic National Committee; John C. White, Chairman, Democratic National Committee, Washington, D. C.; Mrs. John White; Joel McCleary, Deputy Assistant to the President for Political Liaison, The White House, Washington, D. C.

3/ McCleary is an individual covered under 28 U.S.C. §591(b)(3), as an "individual working in the Executive Office of the President and compensated at a rate not less than the annual rate of basic pay provided for level IV of the Executive Schedule under Section 5315 of Title 5."

f) Eleven of the individuals who attended the luncheon, and Michael Cardozo, Senior Associate Counsel to the President, have been interviewed either in person or telephonically by the Federal Bureau of Investigation.<sup>4/</sup> Each of these people stated that no solicitation of funds occurred at the luncheon. Several witnesses stated that the President confined his remarks to thanking the guests for their past support to the Democratic Party and their efforts in helping to retire the 1968 Robert Kennedy and Hubert Humphrey campaign debts. Senator Kennedy also spoke on the same theme with respect to his brother. No one stated that the President requested or even discussed future contributions. Several participants stated that they heard no discussion whatever of money or future contributions at any time during the luncheon. According to Evan Dobelle, there was one short interchange at the luncheon between White and Dobelle about the size of the remaining Party debt, after which an unidentified person stated that they should get together to see how it could be retired. There is no indication that this interchange

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<sup>4/</sup> Those interviewed were Evan Dobelle, Mrs. Evan Dobelle, John White, Joel McCleary, Charles Manatt, Lew Wasserman, Glenn Watts, Rosemary Tomich, John McMillian, Armand Hammer, and Richard O'Neill.

involved the President. Several of those interviewed related that after the President left the luncheon, one guest offered to pledge a contribution but was stopped by another participant who told him such matters could not be discussed at the luncheon. According to McCleary, some other people "talked about money" after this incident, but he could not recall who.

g) Two of the three persons present at the Oval Office meeting with the President were asked about the discussion and stated that no solicitation or receipt of funds occurred at that meeting. There is no evidence to the contrary. Solicitation or receipt of funds at that meeting was not part of the allegation.

h) Records of the Federal Election Commission indicated that on August 10, 1978, Richard O'Neill donated \$25,000 and Lew Wasserman donated \$100,000 toward the retirement of the debt of the Democratic National Committee. According to Evan Dobelle, O'Neill's contribution was received during a meeting at Democratic National Committee headquarters and Wasserman's contribution was received at the Madison Hotel. FEC records also disclose that on August 22, 1978, Walter Shorenstein donated \$5,000 and on August 24, 1978, John McMillian donated \$25,000 toward retirement of the debt of the Democratic National Committee.

i) According to Michael Berman, Counsel to the Vice President, the Vice President was on vacation in Canada from August 7 to August 13, 1978, and was not present at the luncheon.

4. Analysis and Conclusions. Section 591(a) of Title 28 of the United States Code directs the Attorney General to conduct an investigation upon receipt of specific information that any person covered by the Act has committed a violation of federal criminal law. Section 592(c)(1) further directs the Attorney General to apply to this court for the appointment of a special prosecutor if the Attorney General, "upon completion of the preliminary investigation, finds that the matter warrants further investigation or prosecution."

As in all other cases, it is the responsibility of the Attorney General in instances of allegations of criminal conduct against persons covered by the Act, first, to determine the elements of the offense proscribed by the criminal statute at issue and, second, to determine whether the alleged facts would constitute the elements of the offense. Finally, it is my responsibility, as Attorney General, after a preliminary investigation and after an analysis of the evidence of the elements of the offense, to determine whether the case is of sufficient merit to warrant further investigation or whether "the matter is so unsubstantiated that no further investigation or prosecution is warranted." 28 U.S.C. §592(b)(1).

It is my determination that there is no evidence in this case of conduct by the President, Vice President, or Mr. McCleary which constitutes a violation of 18 U.S.C. §603. The case is without merit.

The operative facts have been established and no inconsistent evidence was produced by the investigation. The evidence does not support any reasonable inference that the President, the Vice President, or Mr. McCleary was involved in any request for or delivery of campaign contributions at the White House. The Vice President was not in Washington, D.C. on August 10, 1978. There is no evidence that the President or Mr. McCleary, who of all those attending the luncheon are the only ones covered by the special prosecutor provision, made any statement or solicitation or in any other way personally solicited any campaign contributions.<sup>5/</sup> This is not surprising since, as Mr. McCleary stated, "the organizers were not looking for money at the luncheon." That the organizers had no such intent is corroborated by the action of one participant when another guest raised the subject of pledging a contribution; he interrupted the other guest and cautioned that they were not to discuss contributions at the luncheon.

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5/ For purposes of this memorandum, I am assuming, without deciding, either that the White House as a whole is a "building occupied in the discharge of official duties by [a] person mentioned in section 602," or that the Family Dining Room is a "room . . . occupied in the discharge of official duties by [a] person mentioned in section 602." Among the several sub-issues that might have to be addressed in order to decide those questions is that of whether the President is a "person mentioned in section 602." I am specifically not deciding that issue at this time.



The only conduct proscribed in the statute is making a request for political contributions or receiving delivery of such contributions in federal offices. Section 603 is a malum prohibitum statute which makes an activity illegal in certain places although it would be legal if conducted elsewhere. The activity is solicitation or receipt of political contributions.

There is no evidence that any money was received in the White House on August 10, 1978. Likewise, there is no evidence that money was solicited at the luncheon. While money was solicited or received before or after the luncheon at places other than the White House <sup>6/</sup>, there is no evidence that any solicitation took place in the White House. Indeed, it appears that the organizers of the luncheon deliberately structured the affair so as to avoid any violation of law. The evidence does support an inference that the luncheon was intended, at least in part, to entertain former contributors with the hope or expectation that they would, in the future, continue their financial support. Such activity, absent a solicitation or receipt on premises covered by the statute, is not prohibited by Section 603.<sup>7/</sup>

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<sup>6/</sup> There is no allegation or evidence that the President or Mr. McCleary personally solicited or received a contribution before or after the luncheon on August 10, 1978.

<sup>7/</sup> It is entirely legal under Section 603 to solicit outside a protected area. Therefore, to determine whether a Section 603 violation occurred one must look to the behavior actually occurring in the protected area to see if that behavior violated Section 603. Any broader interpretation of Section 603 would make it felonious to invite former contributors to State dinners or other formal functions at the White House or Capitol with the unspoken hope that the

This reading of the solicitation provision of Section 603 is fully supported by the history of the statute. There is no case law on this point. This statute derives from the 1883 Pendleton Civil Service Act which was designed primarily to eliminate solicitation of campaign funds from federal employees at their work place. The goal was to protect these employees from what were essentially political assessments and to protect the integrity of federal office space. The activity in question here, a social gathering of past and potential contributors who are not federal employees in a White House dining room, falls outside the concern of the statute.

The Department of Justice is unaware of any instance in the ninety-six years since the statute was passed in which a prosecution was undertaken for the type of activity here at issue. The only reported prosecutions to indicate the form of solicitation covered under the statute have involved explicit written requests for money. See United States v. Newton, supra; United States v. Thayer, supra; United States v. Smith, supra.

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7/ continued

former contributors continue their support. The subjective hope or expectation that an individual might contribute money because he or she was invited to a social function at a federal building is clearly outside the coverage of Section 603 unless this hope or expectation is coupled with an actual solicitation or receipt in a protected area. We are not deciding at this time what the meaning of "solicitation" might be in the context of other statutes which are inapplicable here.

Moreover, when presented with factual situations involving isolated, non-egregious incidents of actual, explicit solicitations or receipts in federal buildings, the Department has consistently found them without prosecutive merit under Section 603. Thus, even assuming a much broader interpretation of the activity proscribed by Section 603, a prosecution of this matter would be legally unsound, unfair, and without merit.

To contemplate the possibility of a prosecution on the established facts of this case, one would have to conclude that merely by attending the luncheon or expressing thanks for past contributions, the President or Mr. McCleary should be seen in the eyes of the law as actually having made a solicitation for future contributions and committing a felony. Such a view is untenable.

In sum, there is no factual substantiation of any solicitation or receipt by the President, the Vice President, or Mr. McCleary at the White House on August 10, 1978. There is no evidence of conduct on their part that would fall within the scope and purpose of the statute. Moreover, there is no indication from the preliminary investigation that further investigation could reasonably be expected to disclose evidence of a violation which could warrant prosecution under this statute. The case is without merit.

Therefore, I hereby notify the Court pursuant to 18 U.S.C. §592(b) that I find the matter is so unsubstantiated that no further investigation or prosecution is warranted, and that no special prosecutor should be appointed.

Respectfully submitted,

*Griffin B. Bell*

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Griffin B. Bell  
Attorney General of  
the United States

## APPENDIX

Politics/Jeff Gerth

# A SECRET WHITE HOUSE MEETING: CARTER'S FAT CATS

Lunch on August 10

The fat cat, a political animal thought to be extinct after Watergate, is back on the prowl in Washington.

Last August 10, about twenty fat-cat businessmen surfaced for a quiet, but apparently productive, luncheon at the White House hosted by President Carter. The noontime meal, which was not on the official White House schedule, was part of a plan to raise funds to retire over \$1.5 million in Democratic-party debts remaining from the presidential campaign of 1968 and other pre-1975 obligations.

The details of the little-noticed White House gathering are for the most part still a secret. It was not reported in the press and the White House has refused to disclose the names of the participants. (A spokesman originally promised to provide a list of guests but subsequently said that the White House has no obligation to disclose the names of those who attend private White House meetings.)

While there is nothing improper about the president talking in private with fat-cat businessmen, there still exists the potential for Watergate-type abuses, which everybody, including the president, has promised are in the past. In any event, it is illegal for the president, or any other government official, to solicit or receive contributions at the White House. There doesn't appear to have been any such solicitations by any government official at the luncheon session.

Because of the veil of secrecy thrown over the meeting, *New York Magazine* was able to learn the identity of only some of the participants at the luncheon. Yet even these names raise questions. For example:

- Oilman Armand Hammer, who has pleaded guilty to illegally concealing large contributions to former President Nixon's 1972 re-election campaign;

- California businessman Richard O'Neill, whose political fund raising has caused controversy in the past;

- pipeline executive John G. McMillan, who controls a corporation which was awarded a multi-billion-dollar concession by President Carter;

- Lew Wasserman, the luncheon's co-host, who heads a corporation fac-

*Jeff Gerth is an investigative reporter for the New York Times.*



ing a federal grand-jury investigation into price rigging:

- Steven Ross, who is chairman and chief executive officer of Warner Communications, Inc., a conglomerate which has recently been linked to a bribe plot that involves an organized-crime figure. (That plot is currently under investigation by the Justice Department.)

The White House meeting was made possible by a Federal Election Commission (FEC) ruling earlier this year which said that contribution ceilings prescribed by the campaign-finance law—the post-Watergate legislation which was supposed to put big money givers out of business—did not apply to funds given the Democratic National Committee to retire old debts.

Democratic-party chairman John White, elated by the February decision, predicted a debt-free party by June. Yet the FEC waiver produced no funds until President Carter hosted the summer gathering. The exclusive assembly was apparently put together by White; Wasserman, head of MCA, Inc., a Los Angeles-based entertainment conglomerate; and Charles Manatt, a Los Angeles lawyer with a knack for obtaining bank charters who recently was appointed national finance chairman for the Democrats.

In addition to the president, the politicians in attendance included Vice-

President Mondale and Senator Edward Kennedy, who, according to an aide, made only a brief appearance, just long enough to give thanks for helping retire his brother Robert's 1968 presidential-campaign debts.

Wasserman is no stranger to Democratic fund raising; he has contributed heavily in the past and hosted a fund-raising gathering in Los Angeles for Carter in 1976. Wasserman is also prominent in show-business circles, and MCA owns a whole host of entertainment companies, including Universal Pictures. Another MCA subsidiary, MCA Records, is one of many record companies—including those of Warner—being examined as part of a criminal investigation by the Justice Department's Anti-Trust Division.

FEC records show Wasserman donated \$100,000 to retire Democratic-party debts on August 10, the day of the luncheon.

FEC records also show a \$25,000 contribution that same day from O'Neill, a wealthy land owner and investor. O'Neill was invited to the luncheon by Manatt, according to an O'Neill aide.

O'Neill's political funding was an issue in a 1974 California campaign when he and a business partner, Dr. Louis Cella, gave over \$500,000 in donations and loans to a Democratic candidate for state office. The Republican opponent called the huge contributions ethically improper, saying that "two people trying to buy an office has never occurred in the history of the state of California."

Whether their candidate was bought or not, he won the election. However, he has yet to pay back the loans or remove himself from a business partnership with Cella and O'Neill, even though Cella has pleaded guilty to multiple counts of Medicare fraud, theft, and income-tax fraud.

Both O'Neill and Wasserman, interestingly enough, are big backers of California Governor Jerry Brown, a potential challenger to President Carter in 1980.

Another luncheon guest was McMillan, chairman and chief shareholder of Northwest Energy Company, a natural-gas corporation based in Salt Lake City. Two weeks after the luncheon, he donated \$25,000 to retire the old Democratic debts.

A Northwest subsidiary was a late



entry in the bidding for the right to market the rich natural-gas reserves on the North Slope of Alaska. The Federal Power Commission was deadlocked last year in choosing among three bidders, and President Carter subsequently awarded the rights to the 40 trillion cubic feet of natural gas to the Northwest subsidiary.

McMillian, who donated \$5,000 to Carter's 1976 election campaign as well as \$5,000 to the Democratic National Committee in 1977, has become more visible recently in Washington's political/social circles. He lobbied actively during the protracted struggle over natural-gas deregulation and opened up new offices in anticipation of all the dealings his company will have with government regulatory agencies which have purview over the construction and operation of the giant pipeline Northwest will build.

In an interview, McMillian said he thought he had been invited to the luncheon by Manatt. He said that although no specific money commitments had been mentioned in the White House, he recalled that "somebody started to talk about a figure of \$100,000" per person. McMillian added that John White had nixed the discussion to "protect us low-givers."

McMillian also remembers the president's being in good humor that afternoon and having little to say specifically about the fund-raising effort other than "it looks good to see a lot of old and familiar faces and old friends who have helped throughout the years."

McMillian said there were also four or five New Yorkers at the luncheon, including Warner Communications' Ross.

One final guest known to be at that luncheon was Dr. Armand Hammer, the feisty and controversial 80-year-old chief of Occidental Petroleum Corporation, a Los Angeles-based energy conglomerate. In 1975, Hammer pleaded guilty to illegally concealing \$54,000 in contributions to the 1972 re-election campaign of former President Richard Nixon. Earlier this year, a report to the Securities and Exchange Commission disclosed that the oil company had made sixteen illegal domestic political contributions between 1969 and 1975.

Hammer evidently had made a loose commitment to donate \$100,000 to retire the Democratic debt as early as this past January, according to Manatt, even though such a large contribution was illegal at the time.

Hammer apparently enjoyed the August White House luncheon so much that he was late for another important engagement he had that day in Ohio. After seeing President Carter, Hammer

met in Dayton with the heads of the Mead Corporation, a paper company which Hammer and his company wanted to acquire. Mead officials, however, resisted and proceeded to fight the Occidental offer, attacking Hammer and his company's business practices.

Oddly enough, when asked under oath in a deposition a month later what he was doing in Washington on August 10, Dr. Hammer, according to court records, replied, "I don't recall."

Hammer, who seems to relish a good fight, is continuing his takeover attempt. The Justice Department's Anti-Trust Division has sided with Mead in fighting the merger. The day after his offer to Mead and the White House meeting, Hammer—who also seems to enjoy mixing business with politics—had donations given to two incumbent congressmen in central Ohio by Occidental's Political Action Committee, according to FEC records.

While not welcome in Dayton, Hammer is still assured of a warm reception at the White House, even though he has apparently not yet made good on his pledge to help pay off the debt. In September, Rosalynn Carter held a ceremony to thank Hammer for donating a painting to the White House. The fact that the donation was more an exercise in tax-write-off accounting—the painting has actually been in the White House for five years and Hammer had only taken title to it himself earlier this year—was somehow lost amidst the flashbulbs, iced tea, and watercress sandwiches.

Ironically, the legislation designed to make fat cats like Hammer obsolete—the Watergate-inspired Federal Election Campaign Act of 1974—has also spawned their revival. While the act explicitly created strict limits on individual contributions to candidates for federal office, it was vague on the topic of old debts of political parties.

A legacy of former Congressman Wayne Hays, the act contains some other interesting language.

For example, it reduces the statute-of-limitations period for election-law violations from five to three years, thus instantly absolving a number of congressmen implicated during Watergate.

Another provision in the 1974 act transferred jurisdiction for investigating most illegal corporate and union political contributions from the Federal Bureau of Investigation to the politically appointed FEC. It also reduced the criminal penalties for these violations.

One federal agent complained: "They took us out of the picture for the most part, leaving the investigation of political corruption up to the politicians."



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the red fox fling

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one shoulder, sensuously  
circling the throat...It's the  
new synonym for glamour.  
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THE WHITE HOUSE  
WASHINGTON

2/5/79

Hamilton Jordan  
Tim Kraft  
Zbig Brzezinski

The attached was returned in the  
President's outbox today and is  
forwarded to you for your information.

Rick Hutcheson

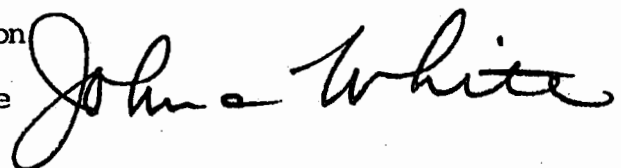
DEMOCRATIC  
NATIONAL COMMITTEE

1625 Massachusetts Ave., N.W. Washington, D.C. 20036 (202) 797-5900

John C. White  
Chairman

February 1, 1979

TO: The President  
THROUGH: Rick Hutcheson  
FROM: John C. White  
RE: Mexico Trip



Your pending trip to Mexico will have considerable impact in both countries, politically as well as economically and socially.

I know you will receive formal State Department briefing material, but I am hoping that my memorandum will give some of the "inside or gossip" information which is always of interest.

The Players:

President Lopez Portillo - conservative successor to former President Echevberria, who was liberal. Portillo was something of a surprise choice of Echevberria, since they were considered to have contrasting economic and social viewpoints during Echevberria's reign.

Secretary of State Santiago Roel - is considered anti-U.S. by other cabinet members and is dominated by "industrial crowd" of Monterrey. Rumored to be replaced later this year.

Secretary of Commerce Jorge De-LaVega Dominguez - protege of Echevberria and strongest cabinet officer. Controls all budgets, purchasing etc. and watches closely the operations of the Director of Pemex.

Director of Pemex Jorge Diaz Serrano - has been vocal about Mexican Energy Resources and its advantages; critical of Secretary Schlesinger (unfairly). Also rumored to be replaced soon.

Secretary of Tourism Guillermo Rosell De Allam - wants to be next President (they all do). Pro-U.S., probably the President's closest friend in the cabinet. Portillo was employed as Rosell's attorney for ten years. Rosell is an architect and designed the University of Mexico.

Former President Alemón - Basically an institution in Mexico -- in their terms a "statue." Is not a power source in this administration but respected. Pro-U.S., in fact so much so, that it limits his influence. Has official position in Department of Tourism. Was a personal friend of President Johnson.

DEMOCRATIC  
NATIONAL COMMITTEE

1625 Massachusetts Ave., N.W. Washington, D.C. 20036 (202) 797-5900

John C. White  
Chairman

Page Two.

While Portillo is a strong President, the above people will be involved in one degree or another in our relationships.

Your briefing sources will be more complete about subject matters the Mexicans are interested in discussing, but obviously energy, trade and aliens will be important.

Your current statements on energy make sense and are realistic in light of current pricing, both domestically and with Canada. To accept Director Serrano's proposals of linking Mexican gas to #2 light fuel in New York would result in an unrealistic price of well over \$3.00. Some Mexican sources say President Portillo is irritated with Serrano for making gas pricing an issue that tends to box him into a "no win" situation. If Portillo would negotiate the high price, it would turn out to be "Serrano's program." On the other hand "No deal" would be interpreted as Portillo failing. Up to now Serrano has been content to blame Secretary Schlesinger for the lack of an energy agreement.

Trade agreements with Mexico are always important and politically sensitive in Texas, Florida and California. Many winter vegetables now come from Mexico, particularly tomatoes, cucumbers, melons and citrus.

Illegal aliens in the U.S. has been an extremely difficult problem for over 30 years and it is getting worse. Mexico fears that if we have a program to return large numbers of aliens to Mexico, it will be disruptive, economically and politically.

Mr. President, a few short recommendations:

Energy: Urge frame work for future cooperation. President Portillo recognizes the importance in working with the U.S. Mexico also desperately needs capital to develop resources, despite repeated statements that they need no help. Since Mexican officials place more importance on symbols and rituals than we do, consideration should be given to Secretary Schlesinger accompanying you.


Agricultural Trade: Mexico and the U.S. have long had varied levies restricting trade -- theirs more subtle than ours. While it will cause some pain, we probably could be more affirmative in this area.

Illegals: Very tough - no question that a long history of abuse of Mexicans - legal, illegal or citizens in this country - is a sore spot. Your record of concern for human rights, for hispanics and numerous appointments in your administration should be stressed.

# DEMOCRATIC

NATIONAL COMMITTEE 1625 Massachusetts Ave., N.W. Washington, D.C. 20036 (202) 797-5900

Page Three.

The fence fiasco was unfortunate and is now a symbol and I am sure it will come up in discussion. The Mexican press has made much of this as has our own. Despite border patrol objections, the fence could be torn down and it would not affect the over-all immigration program. 

One other item is Texas Governor Clements' trip to Mexico. This was unfortunate and should not have occurred. President Portillo felt he had to honor the request of our Ambassador, even though he received signals to delay the appointment with Clements until after your visit. It is my understanding that President Portillo was proper, but totally uncommittal on all matters brought up by Clements and actually declined to discuss energy prior to talking to you. However, I understand that Clements and Serrano have been friends and associates for many years. Clements' trip was nothing more than a publicity stunt and will have no important impact on your meetings. However, it is my belief that Clements would poison the well for you any way he could, possibly through Serrano.

Speak Spanish if you are comfortable doing it -- they are always honored when we use their language, even if we only try.

Buen viaje y buena suerte.



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

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MEMORANDUM FOR THE PRESIDENT *Jack*  
FROM: Jack Watson  
Jim McIntyre *Jim*  
Frank Moore *F.M.*  
Stu Eizenstat *Stu*  
SUBJECT: Reorganization Consultations

The attached memoranda summarize our consultations on reorganization with the Senate and the public interest groups. They provide background information for your development assistance reorganization decision. A summary of the House consultations will be provided to you Monday, along with CL's recommendation.

Your senior staff will meet on Tuesday to discuss the results of our congressional and interest group consultations. We will provide you with our recommendations later in the week. We would like to have an opportunity to discuss our recommendations on how to proceed with you before you make a final decision.

Attachment

Electrostatic Copy Made  
for Preservation Purposes

McIntyre, Eizenstat,  
Watson, Wexler, Pettigrew





EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

February 3, 1979

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM TO: THE PRESIDENT

FROM: JIM MCINTYRE *Jim*  
DICK PETTIGREW *Dick*  
STU EIZENSTAT *Stu*  
JACK WATSON *Jack*  
ANNE WEXLER *Anne*

SUBJECT: Consultations on Reorganization

This memorandum summarizes the results of our joint consultations with the interest groups and individuals most affected by the community and economic reorganization proposals.\* It describes the views of those constituencies we believe will have the greatest effect on the Congressional debate and on the political standing of the Administration.

Consultation Process

Each individual and interest group was provided a brief description of the options (see attached paper). We asked each person to identify the option they prefer and to describe the intensity of their support or opposition to each option.

The principal interest groups with whom we consulted were:

- Governors
- Mayors
- County officials
- State legislators
- Civil rights leaders
- Rural interest groups
- Housing groups
- Economic development organizations
- Labor organizations
- Business organizations

State and Local Officials

The state and local officials with whom we consulted fall into three categories. Most of them hold leadership positions in their respective organizations. Some of them were selected

\* Consultations on the Department of Natural Resources have been conducted primarily with Congress. However, some governors expressed a desire to meet with us later this month before a final decision is made on water policy.



because they are strong supporters of the Carter Administration. A few were selected as a result of their expertise in community and economic development issues. Each of the elected officials with whom we consulted provided their personal views, and not institutional positions.

Governors

We spoke with seven governors. They were divided in their views. Governors who are strong supporters of reorganization generally prefer the Department of Development Assistance (DDA), both substantively and politically. Governors who support the Commerce option generally feel it would offer greater substantive benefits and be less damaging politically. Their preferences aside, virtually all the governors indicated they would not oppose either option actively. The individual positions were:

- Governor Babbitt (Arizona)

Prefers DDA.

- Governor Byrne (New Jersey)

Advises against reorganization but prefers the Commerce option.

- Governor Carroll (Kentucky); Chairman, NGA

Prefers DDA.

- Governor duPont (Delaware); Chairman, NGA Community and Economic Committee

Strongly prefers DDA and doesn't think the Commerce option is worth pursuing.

- Governor Hunt (North Carolina); Chairman, NGA Rural Development Subcommittee; Chairman, Democratic Governors

Strongly prefers the Commerce option, has "no enthusiasm" for DDA, and would prefer to defer reorganization until 1981.

- Governor Matheson (Utah)

No clear preference.

- Governor Rockefeller (West Virginia); Chairman, NGA Committee on Balanced Growth

Advises against reorganization; prefers the Commerce option without FmHA transfers.

Mayors

Reorganization is a relatively low priority for the mayors with whom we consulted. They would prefer to see the Administration concentrate on other issues -- inflation, the budget, countercyclical, etc. They also are concerned that reorganization would disrupt the delivery of services. They believe, however, that overlap and duplication among these programs causes problems.

The 19 mayors we consulted are divided on the reorganization options. DDA is favored primarily by mayors of large cities in the North and Midwest and black mayors. The Commerce option is favored primarily by mayors from the South and the West and by some mayors of smaller cities. There are, however, important exceptions (for example, the mayors of Atlanta and Houston support DDA while the mayors of Los Angeles and Columbus, Ohio support the Commerce option).

Most of the mayors will support whichever option you propose. Possible exceptions may be some "Sunbelt" mayors who are very concerned about DDA and some black mayors who oppose the Commerce option. The views of individual mayors follow:

- Bradley (Los Angeles)

Prefers the Commerce option.

- Carbone (Hartford)

Advises against reorganization but definitely favors DDA if we proceed.

- Carver (Peoria); Vice President, U. S. Conference of Mayors

Prefers DDA.

- Conway (St. Louis)

Prefers the Commerce option.

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- Crichton (Decatur); Chair, National League of Cities Community Development Committee

Strongly prefers the Commerce option, which she sees as a sensible incremental step toward DDA, a desirable long-run goal.

- Hatcher (Gary); Advisory Board Chair, USCM; Chair, Black Democratic Mayors

Strongly advises against reorganization but favors DDA if we proceed.

- Jackson (Atlanta); Vice Chair, Black Democratic Mayors

Prefers DDA but warns restructuring of HUD must not diminish the Administration's urban commitment.

- Koch (New York)

Prefers DDA.

- Latting (Oklahoma City)

Prefers the Commerce option.

- McConn (Houston)

Prefers DDA.

- McNichols (Denver); President, USCM

Prefers Commerce option now, which he agrees could be an incremental step toward DDA in 1981.

- Maier (Milwaukee)

Strongly prefers DDA but concerned about possible dilution of urban focus in DDA.

- Moody (Columbus); immediate past President of NLC

Prefers the Commerce option.

- Parmer (Ft. Worth); Chair, USCM Sunbelt/Frostbelt Committee

Strongly prefers the Commerce option.

- Riley (Charleston)

Prefers the Commerce option.

- Rousakis (Savannah); President, National League of Cities

Prefers the Commerce option.

- Vann (Birmingham)

Prefers the Commerce option.

- Wilson (Oakland); Vice Chair, NLC Community Development Committee

Strongly prefers DDA.

- Young (Detroit)

Prefers DDA but would be content if things were left as they are.

County Officials

- Al Del Bello (Westchester County, New York)

Strongly prefers DDA.

- Dan Lynch (Douglas County, Nebraska)

Strongly prefers DDA.

- Joe Toner (Newcastle County, Delaware)

Strongly urges the President to proceed with reorganization and leans toward Commerce option.

- Charlotte Williams (Genesee County, Michigan); President, National Association of Counties

Prefers Commerce option.

State Legislators

- Speaker Cardin (Maryland); Member, National Conference of State Legislatures Urban Development Committee

Prefers DDA.

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- Senator Cloud (Connecticut); Chair, NCSL Urban Development Committee

Prefers DDA.

- Senator Garamendi (California); Vice Chair, NCSL Rural Committee

Prefers Commerce option.

- Senator Hamilton (New Jersey); Vice Chair, NCSL State/Federal Assembly

Prefers DDA.

- Representative Taylor (North Carolina); Chair, NCSL Rural Committee

Prefers Commerce option.

Other Local Officials

- National Association of Towns and Townships

Will oppose both options, particularly DDA since it would have the most impact on FmHA.

- American Association of Small Cities

Strongly supports DDA.

Civil Rights Leaders

While reorganization is not a high priority for civil rights groups, they strongly prefer the DDA option. They would oppose the Commerce option. They are concerned about the Commerce Department's sensitivity to minority concerns over the long run.

- Carl Holman (National Urban Coalition)

Strongly supports DDA. A majority of his Board supports DDA and worries that the Commerce option would deliver urban programs to rural-oriented Public Work Committees. A minority of his Board, particularly minority businessmen, support the Commerce option. He feels that minority concerns about Commerce are very real, but suggested that some civil rights opposition to the Commerce option might be

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muted if Secretary Harris were satisfied with the outcome and personally appealed to civil rights leaders for support.

- Ben Hooks (NAACP)

Believes that HUD offers the best foundation for the consolidated economic development programs, but offered no opinion on the specific transfers.

- Vernon Jordan (Urban League)

Strongly supports DDA and opposes the Commerce option.  
Strongly opposes placing the Development Bank in Commerce.

Rural Interest Groups

The proposed transfer of FmHA programs has triggered opposition from traditional supporters of the USDA (for example, the Grange, National Farmers Union, National Council of Farmer Cooperatives, and the National Rural Electric Cooperative Association). We have limited our recent consultations to a sample of rural development advocates who have organized themselves into the Rural Coalition (representing over 40 groups). In individual meetings we obtained the following views:

- Rural America

Prefer urban/rural split. If forced to choose among our options, would oppose the Commerce option with less intensity.

- Center for Community Change

Prefer urban/rural split. Would not indicate a preference between our options.

- Housing Assistance Council

Prefer urban/rural split. Would not indicate a preference between our options; most concerned about rural housing.

Following our most recent discussions with these member groups, the Rural Coalition submitted a letter stating its position that

no Federal reorganization affecting rural development interests should be implemented in the absence of a meaningful Federal rural policy. The Coalition's letter strongly opposed both DDA and the Commerce option.

Housing Organizations

We have discussed reorganization alternatives with two leading housing organizations - the National Association of Homebuilders and the National Housing Conference. The Homebuilders would support DDA if "housing" is in the name of the new department. They would not oppose the Commerce option. The National Housing Conference (a coalition of builders, realtors, labor and church groups, public interest housing advocates) strongly prefers DDA. The Conference probably would oppose the Commerce option.

Economic Development Organizations

We have consulted with the two principal organizations that represent economic development practitioners. The National Association of Development Organizations prefers the Commerce option. The Council on Urban Economic Development strongly prefers the Commerce option and would oppose DDA.

Labor Organizations

We have discussed reorganization alternatives with top officials of the AFL-CIO. They strongly prefer DDA on both programmatic and political grounds. The AFL-CIO would oppose the Commerce option.

Business Organizations

Most business groups are chiefly interested in the buttressed trade mission that other reorganization proposals could bring to Commerce. While several have stated their opposition to DDA, the intensity of their concern depends primarily on whether the trade aspects of Commerce are enhanced. If they are not, some business interests will oppose DDA actively.

- Chamber of Commerce

Favors the Commerce option, plus the transfer of UDAG. Opposed to creation of a Development Bank. Primarily interested in trade enhancement of Commerce.

- NAM

Favors the Commerce option and would oppose DDA. Primarily interested in trade enhancement of Commerce. No position on the creation of a Development Bank.

- Business Roundtable

Neutral on local development reorganization, provided further trade functions are proposed for Commerce to enhance its mission.

- National Federation of Independent Business

Might oppose either option, but are more comfortable ideologically with the Commerce option. Their fear about this option is that building up economic development functions in Commerce would intensify pressure to subsume SBA in Commerce. Small business will bitterly resist any reorganization that diminishes the role of SBA.

SUMMARY OF FINDINGS

- - None of the major interest groups with whom we consulted feel that reorganization is a top priority for them. They would prefer to work on inflation, the budget and other issues of particular interest to them (i.e., trade, counter-cyclical, etc.). Because of their own priorities, some also feel that reorganization should not be a high priority of the Administration.
- Virtually all your supporters recognize that reorganization is a key Carter campaign commitment. Many of them feel it is important to deliver on this commitment through structural reorganization. Others feel you have done enough or that you can fulfill this commitment in other ways that may be less difficult politically.
- Most interest groups recognize that the current duplication, overlap and fragmentation of development assistance programs represent a major shortcoming in the Federal Government and cause them real problems. Some local officials, particularly some mayors, feel that the competition between HUD and Commerce has made these programs more responsive to local needs.



- Most of the individuals with whom we consulted, particularly clients of development assistance programs, expressed concern that either option potentially could disrupt the ongoing delivery of economic and community development assistance. Some supporters of the Administration are particularly concerned about the political consequences of this disruption in the critical period prior to 1980.
- There are no interest groups or organizations that will lobby for either option with the same intensity that NEA will lobby for the Department of Education. Most of the elected officials will support either option if asked by the Administration. The priority they attach to reorganization, however, may limit the intensity of their support.

The special interest groups are more fixed in their views. Either option will generate some opposition from these groups.

- There are some groups that currently are major obstacles to either option. DDA will likely be opposed by some mayors, the business community, and some economic development organizations. The Commerce option will likely be opposed by some mayors, by civil rights groups, by organized labor, and by some housing groups.

All rural interest groups will likely oppose either option, although one group indicated less intense opposition to the Commerce option.

We look forward to the opportunity to meet with you to assess the political implications of what we have found.

Attachment

The President has decided that he wants to reorganize Federal development assistance programs. Attached is a copy of his press release on the subject. In deciding how to effect the reorganization, he has asked OMB and the White House staff to check with you and others about your preferences. The attached paper sets forth two options that the President has asked be considered. We trust that you will protect the confidentiality of this information and limit the circulation of these options to your staff.

## ORGANIZATIONAL CHANGES

OPTION 1: Group major Federal community and economic development assistance and some housing programs into a Department of Development Assistance (DDA), streamlining delivery of major Federal economic and community development programs. Subsequently pursue legislation to consolidate these Federal development assistance programs in DDA.

This option would combine in a single department a core set of current and prospective economic and community development programs available to governors, mayors, and other public and private officials seeking to revitalize local areas and attract jobs and businesses to local areas. It would not include those portions of block grants (other than CDBG) that are used for economic development purposes. The economic development programs in this Department will be grouped together around an expanded EDA, and will be coordinated with other community development and housing programs in the field. The department's organization would provide senior policy level officials for both rural and urban concerns. The option would transfer and increase the use of the existing FmHA multi-county delivery system for small cities, towns and rural areas. The option also includes a number of program consolidations that will be implemented through separate legislation.

### Organizational Changes\*

The following program authorities would be included in the Department of Development Assistance (DDA):

#### Current Agency

#### Programs

Agriculture: Farmers Home  
Administration

Community facilities, water and  
sewer, Business and Industry  
Loan programs, Industrial  
Development grants

Commerce

Economic Development Administration  
Title V Regional  
Commissions

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\* The FmHA housing programs and county offices would remain in the Agriculture Department under this option. However, some rural groups have urged their inclusion in this option, and this question is under review. If they were included, the entire FmHA delivery system -- and not just the district offices -- would become the rural delivery system for the proposed department. The farm loan programs would remain in USDA and be delivered through the ASCS system.

Organizational Changes (continued)

<u>Current Agency</u>	<u>Programs</u>
Community Services Administration	Community economic development programs
HUD	All programs
SBA	Section 501 and 502
National Development Bank (proposed)	All programs

OPTION 2: Group major discretionary Federal economic development programs (except UDAG) into the Department of Commerce, leaving community development and housing programs in HUD and Agriculture, and streamlining delivery of these Federal economic development assistance programs. Subsequently pursue legislation to consolidate these Federal economic development assistance programs in Commerce.

This option would combine in a single department the major current and prospective economic development programs available to governors, mayors and other public and private officials to attract jobs and businesses to local areas. It currently does not include UDAG and those portions of CDBG or other block grants used for economic development. The economic development programs in the Department will be grouped together around an expanded EDA. This option would preserve the balance of urban and rural economic development that currently exists in the Department of Commerce. The option also includes a number of program consolidations that will be implemented through separate legislation.

Organizational Changes\*

The expanded Department of Commerce and Economic Development would include the following programs:

<u>Current Agency</u>	<u>Programs</u>
Agriculture: Farmers Home Administration	Business and Industry Loans; Industrial Development Grants
Commerce	All programs
CSA	Community Economic Development Program; Industrial development grants

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\* The UDAG program would not be moved as part of this reorganization. It is up for reauthorization in 1980.

Organizational Changes (continued)

<u>Current Agency</u>	<u>Programs</u>
SBA	Section 501 and 502
National Development Bank (proposed)	All programs

PROGRAM CHANGES

Each of these options would make possible program changes that would streamline further the Federal development assistance programs, but to varying degrees. All of these program changes would require separate legislation and could be pursued simultaneously with the organizational changes or be phased in over a period of time.

OPTION 1 would include:

- (1) Consolidated economic development grant program including EDA Title I, IV, IX, Secs. 301(a) and 304; HUD UDAG; FmHA Industrial Development Grants.
- (2) Consolidated economic development loan program building on the proposed National Development Bank. (National Development Bank programs; EDA Title II Business loans; FmHA Business and Industry loan guarantee program; SBA 501 and 502 loans to State and local development corporations.)

The consolidated economic development grant and loan programs would be discretionary. Separate urban and rural allocations would be provided. The consolidated programs could be introduced as the Administration's EDA reauthorization bill, which comes up this year. Both programs would be administered by an expanded EDA.

- (3) Consolidated development planning assistance programs (EDA 301(b), EDA 302(a)(b); HUD 107, 701; FmHA 111) funding an integrated development priority-setting process.
- (4) Streamlined planning requirements of the programs within the DDA, as well as some programs left outside it (e.g., transportation, EPA water and sewer, and employment and training).
- (5) Consolidated rural development into two programs:
  - ° One for rural community development loans (FmHA water and waste disposal and community facilities loans); and
  - ° one for rural community development grants (FmHA water and waste disposal grants, and Community Development Small Cities grants).

OPTION 2 would include:

- (1) Consolidated Economic Development Grant Program including all programs included in Option 1, except UDAG.
- (2) Consolidated Economic Development Loan Program including all programs included in Option 1.

The consolidated economic development grant and loan programs would be discretionary. Separate urban and rural allocations would be provided. The consolidated program could be introduced as the Administration's EDA reauthorization bill, which comes up this year. Both programs would be administered by an expanded EDA.

- (3) Consolidated economic development planning assistance in Commerce (EDA 301(b), EDA 302(a) (b)) and consolidated community development planning assistance programs in HUD (HUD 107, 701).
- (4) Streamlined planning requirements of the programs within HUD and Commerce, as well as some programs left outside them (e.g., transportation, EPA water and sewer and employment and training). We expect that the administrative aspects of streamlining the HUD and Commerce planning requirements would be somewhat easier under Option 1.

FOR IMMEDIATE RELEASE

JANUARY 19, 1979

Office of the White House Press Secretary

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THE WHITE HOUSE

The President met this afternoon with his advisors on reorganization and with members of his senior staff to discuss the reorganization agenda for this year.

The principal reorganization proposals discussed involved the area of natural resources and economic and community development. In both of those areas the President indicated a concern about existing duplication and inefficiencies and a general desire to move toward increased program consolidation.

The President made no decisions on what legislative actions he might recommend. He directed the OMB and White House staffs to review the proposed actions with members of Congress, state and local officials, and interested private groups and organizations. He asked that this consultation process be completed over the course of the next several weeks and that a report be presented to him. The President indicated that after receiving the report he would promptly make final decisions and recommendations to Congress.

# # #

Frank Moore



THE WHITE HOUSE

WASHINGTON

February 2, 1979

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM TO FRANK MOORE

FROM: BOB THOMSON

SUBJECT: REORGANIZATION CONSULTATIONS

1. WHO WAS CONSULTED

Since the reorganization plan meeting with the President two weeks ago, I have talked with 21 key Senators and the senior staff from all the major affected Committees except Agriculture. They include the following, arranged by committee (note duplications):

a. Agriculture

McGovern - Acting Chairman  
Leahy - Member

b. Appropriations

Magnuson - Chairman  
Stennis - past Chairman, Public Works Subcommittee  
Proxmire - Chairman, HUD-Independent Agencies  
Eagleton - Chairman, Agriculture  
Johnston - Chairman, Public Works  
Huddleston - Member  
Leahy - Member  
Bumpers - Member  
Hatfield - Ranking Minority, Public Works  
Stevens - Ranking Minority, Agriculture  
McClure - Member  
Proctor Jones - Clerk, Public Works  
Dick Lieberman - Clerk, Agriculture

c. Banking, Housing and Urban Affairs

Proxmire - Chairman  
Garn - Ranking Minority  
Ken McLean - Chief Counsel

d. Commerce, Science and Transportation

Cannon - Chairman  
Magnuson - Member  
Ford - Member  
Packwood - Ranking Minority

Aubrey Sarvis - Chief Counsel

e. Energy and Natural Resources

Jackson - Chairman  
Johnston - Member  
Bumpers - Member  
Ford - Member  
Hatfield - Ranking Minority  
McClure - Member  
Domenici - Member  
Stevens - Member  
Dan Dreyfus - Staff Director

f. Environment and Public Works

Randolph - Chairman  
Hart - Member  
Stafford - Ranking Minority  
Domenici - Member  
Phil McGance - Randolph staff  
John Yago - Staff Director

2. METHODS AND PROCEDURES

I viewed each interview as an opportunity to convince the Senator or staff member that reorganization was needed. In each case, I began by pointing out the general advantages of consolidating the federal government's economic development and natural resources programs.

On natural resources, I explained the three parts of the proposal that are most critical - the Forest Service transfer, NOAA transfer and the water proposals. I invited the Senator or staff member to comment on each part.

On economic development, I explained the President was considering two options. I noted the HUD option was the one recommended by the PRP. It became apparent after the first interviews that Senators were biased heavily against HUD, so in subsequent interviews, I stressed that HUD would have an Undersecretary for rural affairs as well as urban affairs, and stressed the advantage of having the UDAG and EDA programs under the same roof as the PRP has recommended.

3. CONCLUSIONS

In evaluating the results of the interviews, I have made allowances for the natural tendency of Senators to oppose anything new or any proposal that would bring political heat to bear upon them.

I have also taken into account the efforts of some Senators to influence the President's decision with excessively tough talk and threats. Consequently, the effort was one of judging the degree and sincerity of negative comments and guessing whether or not the Senator could eventually be persuaded to support one or both plans.

My conclusions are as follows:

a. The Impact of Submitting Both Plans

→ It is inconceivable that the President would send both DDA and DNR to the Hill at this time in their present forms. The major reason is their combined impact on the Agriculture Department.

Under both plans, the Department would lose up to 1/3 of its employees. Its largest agency, the Forest Service, would be transferred to DNR. Its agency with closest contact to farm areas, FmHA, would go to DDA. The Department would lose all its water policy and construction functions when SCS water programs go to DNR and the Corps.

The Senators with agriculture jurisdiction or constituencies all stressed that farmers are not now the most complacent segment of our society. They predict the reaction to both plans would be extreme, intemperate and, in some cases, violent. None would support both plans taken together, with the possible exception of Senators Huddleston and Leahy.

There are 24 Democratic Senators up for reelection in 1980. Five of them are from farm belt states (McGovern, Eagleton, Culver, Bumpers and Bayh). Among these 5 are the acting Chairman of the Agriculture Committee and the Chairman of the Agriculture Appropriations Subcommittee. Another 10 of the 24 came from states where farm groups and the agriculture industry are powerful political forces (Stewart, Church, Cranston, Ford, Hart, Leahy, Magnuson, Morgan, Stevenson and Talmadge). Five of the 24 are from western states where the DNR Bureau of Reclamation proposal will be viewed with alarm (Church, Cranston, Gravel, Hart and Magnuson). Judging from my interviews, I predict that none of the Democratic Senators mentioned above can politically afford to support both plans, with the possible exception of Leahy who is concluding his first term.

I believe all 42 Republican Senators would oppose both plans if they are submitted together in the present forms. Senators McGovern and Eagleton believe Senator Dole would be the leader of the opposition. Baker would compete for the honors. Even those few GOP Senators that are not Presidential candidates would immediately recognize the enormous political impact both plans would have on farm state Presidential prospects in 1980.

b. DNR

As expected, the proposed Department of Natural Resources reorganization plan is the most controversial. The major problem is the image of the Interior Department as an environmentalist, "lock-up" agency.

The Forest Service transfer is mentioned as the most controversial by the largest number of Senators. All the western Senators fear the timber lobby. Many mentioned the potent force of the forest rangers in the local communities. Many of the rangers have made known their opposition to the plan already. Some Senators stressed the advantages of having two competing land use agencies - the BLM and Forest Service.

The water policy and construction transfers were the second most frequently mentioned. Senators Stennis and Johnston are very disturbed and would solicit (and probably receive) leadership support to defeat the plan. The Majority Leader has not forgotten the Public Works veto last year. The major problem is the transfer of policy and planning from the Corps.

The agriculture Senators (e.g., Bumpers) were negative on the SCS transfers as expected, but not impossibly so. Also as expected, the western Senators opposed transferring BuRec construction to the Corps (e.g., Hart). However, the opposition is less intense. Dan Dreyfus, Senator Jackson's key aide favors the transfer.

Only Stevens and Magnuson mentioned NOAA as being a problem. The other Senators had an open mind or expressed support once the advantages were explained to them. I believe Magnuson would respond to reassurances about the NOAA transfer and could be convinced not to actively support a resolution of disapproval. On the other hand, Stevens is solidly in the Hollings camp.

c. DDA

Despite my attempt to stress arguments favoring DDA as proposed, almost every Senator criticized the HUD option. The Department's image is not good. It was accused of inefficiency and unresponsiveness. Only a few Senators mentioned a problem with the Department's urban bias. Several Senators are still upset over last year's consolidation of HUD regional offices. Few Senators have analyzed the proposed National Development Bank in any depth.

The Commerce Committee Senators were alarmed at the prospect of the EDA transfer, although few had kind words for the Commerce Department. Some questioned the utility of moving EDA from an environment where it works to one where success is questionable.

Surprisingly, few Senators opposed the concept of transferring FmHA to a new agency, although many questioned the overall impact of both plans on the Agriculture Department as noted above. Senator Eagleton was a particularly harsh critic of moving FmHA, but he said he could survive it politically. Many of the Senators from rural states (e.g., Garn, Bumpers) felt uneasy about the FmHA transfer, but were very aware of the advantages of one-stop shopping.

In general, Senators are not as negative about DDA. However, virtually all of them voiced preference for doing something in Commerce rather than HUD.

#### 4. RECOMMENDATIONS

I recommend the President take the advice most clearly enunciated by Senators Ford and Hatfield to proceed with a more modest approach. The impact on the Agriculture Department must be measured carefully.

Some form of economic development reorganization is worth a try. If it is possible from a policy standpoint, the effort should be organized in Commerce. This would give us some chance of success. I believe it is less likely that a Department of Developmental Assistance organized around HUD can win approval. Nevertheless, it is not impossible.

Most of the DNR proposal should be deferred. I believe we may be able to succeed moving NOAA to Interior with hard work. Likewise, we may succeed closing out the BuRec construction function and transferring it to the Corps. From a policy standpoint, this would have the advantage of removing much of the incentive for BuRec officials to constantly press for new projects to keep their construction division busy and would centralize most of those pressures in the Corps. Most agree that the Corps is a more efficient construction agency anyway.

The President should not attempt the Forest Service and SCS transfers before the 1980 elections, particularly if he sends up the FmHA transfer in the DDA package this year.

#### 5. PLAN vs. LEGISLATION

Senators Ribicoff, Percy, Magnuson and McClure all believe the scope of both proposed reorganizations is beyond the reorganization authority granted the President in the Act. The Reorganization Act of 1977 states, "A reorganization plan may not provide for,

and a reorganization under this chapter may not have the effect of creating a new executive department...." (Emphasis added.)

The Senators' preliminary opinion is that the DDA plan, as proposed by the PRP, violates this prohibition. In defending DDA, we have stressed the fact that HUD would become a rural, as well as urban, agency. The Governmental Affairs Committee cites this as evidence that HUD's mission will be changed substantially. Therefore, they reason, we are, in effect, proposing the creation of a "new executive department".

I believe the Committee would be less inclined to raise this objection if a "Commerce option" were proposed. However, this should be confirmed with Chairman Ribicoff and Senator Percy before a plan is sent up. If they still disapprove, the President may have to consider sending the plan up as legislation.

I understand much of the DPS proposal for a "Commerce option" would center upon legislation creating the National Development Bank. It may be possible to reduce Banking Committee opposition to establishment of a National Development Bank in Commerce by encouraging an agreement on jurisdiction between the Banking and Commerce Committees and by an intense lobbying effort among Banking Committee members.

Of course, defeat of a reorganization plan on the Senate floor because it was too broad would limit, by precedent, employment of reorganization authority in the future. Moreover, such a defeat would hurt our chances of gaining an extension of reorganization authority when the current act expires.

## SUMMARY OF CONSULTATIONS

### SENATOR JACKSON

On DNR, the Senator said the Forest Service transfer was terribly provocative. He cited Foley's concerns. He personally favors the transfer, but he implied the political heat may be more than even he can stand. The key, he said, was how the lands division of DNR could be insulated from environmentalists currently at Interior. He expressed confidence in Secretary Andrus, but said the perceptions were that Interior was too environmentalist to be entrusted with the Forest Service.

He had no concerns about NOAA, but said the water shifts would be a "bitch". He said he would support a modest plan, but implied he could not be counted on for leadership.

Jackson's key staff member has said privately that under no circumstances would the Senator support the full DNR proposal. The forest products industry is too strong a force in Washington state.

### SENATOR MAGNUSON

On DNR, the Senator now opposes the transfer of NOAA. He believes Interior is too environmentalist oriented to encourage development of ocean resources. He is less concerned about the Forest Service and water transfers, although Congressman Foley left his office just before I arrived for my appointment.

The Senator believes both plans are too broad to be dealt with under reorganization authority. He believes they should be submitted as legislation so the Congress can "tinker with" the new concepts.

### SENATOR EAGLETON

Generally, the Senator was shocked at the impact both plans would have on the Agriculture Department and fearful of the consequences in 1980. He did not see how any of the farm state Senators up for reelection could support both plans. His objections are mainly political, although he believes the current SCS water policy function would get lost in DNR. The Forest Service and SCS transfers would cause a "firestorm". He seemed less concerned about the Forest Service, however.

The Senator stated that if DDA surfaced at the same time as DNR, the farmers would go crazy. The FmHA transfer would be particularly troublesome, although he feels he could survive unless he were the only farm state Senator to support it. He stated the political disadvantages for you would be very great and could cost you every farm state in 1980.

#### SENATOR BUMPERS

The Senator agrees that some reorganization is desirable. On DNR, he thinks you will "catch hell" for moving the Forest Service. He said the forest industry in the south is paranoid about Interior.

He agrees with the thrust of the water proposal, particularly as it affects the Corps. However, he says the SCS transfers will cause him trouble politically in 1980. He has no opinion on NOAA.

On DDA, he favors the Commerce option. He will oppose moving EDA out of Commerce. The FmHA is not popular in his state, so there will be a minimum of political fallout over that transfer. The Senator said he could actively support the Commerce option if we gave him the cost savings and efficiency figures. We must have good figures on benefits to rural areas.

#### SENATOR MCGOVERN

Generally, the Senator had no doubt that both plans were logical, efficient and economical. However, he would be forced to oppose the DNR proposal for political reasons since he is now in charge of the Agriculture Committee until the Chairman's return. The Forest Service proposal was particularly troublesome to him, but he was also concerned about transferring the SCS water functions. He strongly favors the eventual transfer of nutrition and food functions to Agriculture, but sees no short term political benefits for him in 1980 since the nutrition reorganization proposal is some distance down the road.

He was less familiar with the DDA options and not as negative. The FmHA transfers worry him, but he accepts the argument that rural areas could benefit from one-stop shopping. He sees no political difference between the HUD and Commerce options, but sees an advantage in having the UDAG and EDA programs under the same roof.

#### SENATOR HUDDLESTON

The Senator was positive on both plans. He said reorganization was needed and "someone must take the bull by the horns".

He said there had been no discussions in the agriculture committee on DNR. He stated some kind of consolidation was needed and indicated he had an open mind on the Forest Service. He said Secretary Andrus' image could pose problems. He voiced mild support for the water proposals.



Senator Huddleston was even more positive on DDA. He said he could live with the HUD option, but would like to see funds formally committed within the agency to rural development.

#### SENATOR McCLURE

On DNR, the Senator has no strong feeling about the NOAA transfer, but opposes the rest. He said the Forest Service transfer would be one of the most politically explosive fights of your Administration. He would be in the middle of it. He cited Interior's record as an environmentalist agency and spoke in favor of two competing land use agencies.

On water, he professed no strong feeling about the Bureau of Reclamation or Corps transfers, but adamantly opposes the SCS transfer. He reasons that SCS applies the "farmer's criteria" to water policy.

He suggested several modest legislative alternatives to reorganization and stated that DNR would be an "abuse" of your reorganization authority. He believes such a proposal should come up as legislation.

#### SENATOR STAFFORD

Generally, the Senator supports reorganization, as long as rural areas do not suffer. He is not as negative as Randolph on DDA, and sees no distinction between the HUD and Commerce option, politically.

He stated he could not support the plan if Randolph was strongly opposed, however. The Senator believes the appointments you make to the rural side of DDA could diminish the controversy, if they became known early enough.

#### SENATOR FORD

The Senator stated the Commerce Department option for developmental assistance reorganization sounded much better to him. He said the major problem with the HUD option was the Department's image of inefficiency and the Secretary's reputation as an urban figure. He asked why EPA water and sewer grants were not included, but seemed relatively satisfied with the explanation. Generally, he did not feel strongly about this reorganization proposal.

As for DNR, the Senator expressed concern about the impact on the Agriculture Department. He did not register specific objections about the transfer of NOAA and the Forest Service to DNR. However, he stressed that Carl Perkins' opposition to the water policy aspect of the proposal would make it difficult

for him to support it.

Generally, he advocates reorganization. However, he urged you to decide on a more modest option and rely heavily on creation of the Department of Education to fulfill your commitments to reorganize.

#### SENATOR LEAHY

Generally, he has not paid much attention to reorganization. He insisted that neither plan should adversely affect rural areas, but responded well to arguments that the plans could help the smaller towns and counties.

As for DNR, Leahy fears SCS advocates will be a major opposition force on water policy. He does not oppose the NOAA transfer and had no significant comment on the Forest Service. He mentioned he could be an ally on DNR, mainly because he favors the water policy proposals.

Regarding DDA, he noted that HUD's performance is poor, but he had no love for Commerce either. He favored the transfer of EDA and would not object to the FmHA transfer. He is a potential ally here, as well.

#### SENATOR HATFIELD

The Senator said the DNR proposal makes imminent good sense, but was not achievable in its present form. He thinks we could win on NOAA, but could not succeed on removing the policy and planning function from the Corps. He sees a vicious battle if we go forward with the latter proposal. The Senator's reaction was mildly favorable to transferring the Forest Service, but doubted whether he or Chairman Jackson could publicly support such a plan.

The major problem the Senator sees is Interior's environmentalist image. He pointed out that this problem could be partially solved if you signalled your intention to appoint relatively pro-development people to senior positions in DNR.

The Senate recalled that, as Governor of Oregon, he launched a sweeping reorganization of state government, but only succeeded when he used a gradual, piecemeal approach. He suggests you follow the same course.

#### SENATOR JOHNSTON

The Senator promised "to pull out every stop" in opposition to the water policy changes in DNR. He predicted that both GOP and Democratic leadership would join him and hand us a crushing defeat. He sees the proposal as a direct attack on the water policy system established by Congress over the years. He claims to be far more incensed about this proposal than he was about the public works veto last year. He has begun organizing opposition within the Senate and within the industry, although I believe these efforts are not far along. He indicated he was now inclined to support your budget figures on water projects, but would not do so if you sent up the plan.

Much of what the Senator said about water policy was bluster, intended to scare you out of submitting the water policy proposal. His staff member who is strongly opposed had briefed him well. Nevertheless, he will fight hard against the plan.

Significantly, the Senator stated he had an open mind on the Forest Service and NOAA transfers, and was now only mildly opposed.

#### SENATOR DOMENICI

The Senator suggested you forget the DNR proposal. Taken as a whole, it would be terribly controversial. He was ambivalent on the NOAA transfer and, surprisingly, supportive of the water proposal. However, he believes the Forest Service transfer would be a disaster. He favors two competing land use agencies (BLM and Forest Service).

Interior's image as an environmentalist agency is his chief concern.

#### SENATOR STEVENS

The Senator said he might support the DNR water consolidations, but would oppose the rest of the plan. His criticisms of Interior were harsh. He was particularly adamant about the NOAA transfer. He has told Senator Hollings he will help fight the NOAA transfer. He has introduced a bill to establish a full cabinet level Department of the Oceans.

#### SENATOR GARN

On DDA, the Senator could be supportive if we succeed in convincing his staff member, Skip Glines, of its value to smaller communities. From his experience as Mayor of Salt Lake City, he appreciates the concept of one-stop shopping. His first reaction to the FmHA transfer is negative, but he can be convinced.

He is very negative about HUD, ~~HUD~~ however, even though he is Ranking Minority on the Department's oversight committee. He is still bitter about closure of the Salt Lake City HUD office.

On DNR the Senator stated the climate in his state was so fiercely anti-federal government that such a plan could provoke violence. He favors two competing land use agencies and strongly opposes transfer of the Forest Service. His opposition is intense to the water policy changes, but he might be sold on the BuRec transfer if the figures were good and there was some effective PR work in Utah.

#### SENATOR RANDOLPH

The conversation was very brief. He reiterated his strong opposition to any EDA transfer.

#### SENATOR PROXMIRE

The Senator is an enthusiastic supporter of both plans as proposed by the PRP. He is particularly happy with the DDA proposal.

#### SENATOR STENNIS

Although he claims he has not heard from the Corps on DNR, he is fearful of the plan's impact there. The Senator is "very serious" in his opposition. His position has "hardened" on the water policy issues. He would oppose the BuRec transfers as well.

A major concern is that the Corps policy and planning unit at Vicksburg would be adversely affected by DNR. The Senator is confident that he and Senator Johnston can prevail in the Senate on a resolution of disapproval.

#### SENATOR PACKWOOD

The Senator is not a believer in reorganization. On DDA, he says HUD is a poorly-run agency, second only to HEW in that regard. He would favor the "Commerce option" among the two, but really did not like either.

On DNR, his initial reaction to the water policy proposals was favorable. He stated that the Forest Service was a "far better agency" than the BLM, and he would oppose the transfer. He has no opinion on NOAA.

#### SENATOR HART

The Senator has already given a great deal of thought to the DNR proposal. He points out that the Forest Rangers have dug themselves into the local communities and could be a potent lobby against the plan. He recognizes the basic good sense of the Forest Service transfer and would support it if at all possible. He made it plain, however, that his support of such a plan would hurt him badly.

On water, the Senator believes westerners will strongly resent loss of BuRec construction functions. The Corps has a negative image according to Hart. Because of past conflicts, any initiative by the Administration in this area will be suspect.

On NOAA, his only concern was that the Boulder weather facility not be moved.

The Senator's initial position will be that some reorganization of natural resources programs is necessary, but that he will be skeptical of the specifics until later.

On DDA, Senator Hart says HUD is poorly run. Commerce is not a model of efficiency either, but better than HUD he says. He would favor the "Commerce option". He could be a supporter of economic development reorganization based in Commerce since he enthusiastically supports the concept of one-stop shopping.

He will need documentation on improved efficiency and figures on savings, and proof that a National Development Bank at Commerce would still achieve some of the benefits of one-stop shopping.

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- > Undocumented workers
  - land withdrawal  
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- > SS mph
- > Amtrak - corp response ok
- > Ethics in govt - Verne Rube
- > Inflation 2% to 10% = RWI = Uth bad =  
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- > Plotkin, census
- > Health briefings
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